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September 3, 2008  
RE: Testimony on Foreclosure Crisis

Depending on the month, Merced is No. 1, No. 2 or No. 3 in the nation in foreclosures. For too long we have lead the nation in the per capita foreclosure rate. I have had calls from television stations in Japan for interviews, the New York Times sent a reporter to follow me around, and I've talked to I don't know how many other TV stations and newspapers in the country.

In August, 2006, the president of the Merced County Association of Realtors said that as many as 80 percent of home purchases in Merced were being made by speculators, many attracted by the opening of the UC Merced campus.

Speculators created the high per capita foreclosure rate, but the subprime mortgage mess, the bad economy and the foreclosure crisis compounded the situation for local homebuyers.

More than a year ago the City of Merced took a pro-active stance to address the foreclosure crisis. The City of Merced has held foreclosure workshops to assist people in trying to refinance and avoid foreclosure. We had public service announcements on the radio in English, Spanish and Hmong. We regularly sent news releases out to advise people on options they had before getting foreclosed. We used the City newsletter to regularly advise people of the workshops and to spell out ways to get help. We partnered with our Assembly member and our State Senator to offer more workshops. And we have done everything we could to help Congressman Cardoza with his workshops.

We have no reason to believe the situation will be improving any time soon.

Last year the County Assessor recorded 112 foreclosures. A record 524 homes went into foreclosure in July bringing the total number of foreclosures for the year to 2,185. One in 20.5 homes in Merced County is in foreclosure.

In the second quarter of the year, loan default notices were sent to another 1,900 homes. That means nearly 1 in 10 homes in Merced County is in foreclosure or

near foreclosure. The research firm First American CoreLogic said that its statistics show that 15 percent of Merced County mortgages are delinquent by 90 days or more.

The delinquency rate for property taxes in Merced County is 8.3 percent this year. Last year the rate was 5.6 percent.

Because of foreclosures approximately one in 12 Merced County landowners has failed to pay property taxes. There is \$20.4 million in property taxes past due, that's a little more than 8 percent of the total amount the County expected to collect. The County had to borrow \$5 million to meet their Teeter Plan obligations to transfer property tax collections to school districts, cities and other agencies. This is after the County went through its \$13.7 million reserve.

Due to the decrease in property values, 21,282 property owners will see their tax bills reduced this year. Assessed property values have dropped 2.4 percent over last year. Last year only 6,500 property owners saw reductions. Foreclosures and the housing crisis have affected the City's Community Facilities Districts (Mello Roos). We have frozen the positions of two firefighters, three police officers and two police dispatchers that were to be funded by CFDS. The economic slowdown and housing slump, resulted in another 13 positions frozen in the City.

The number of houses that received warnings to clean up overgrown yards and nuisances was 3,758, almost double the number in 2006. The cost of the City weed abatement program doubled from \$30,000 to \$60,000. The increase is largely due to the rise in foreclosures.

Calls to our Code Enforcement officers have increased, largely due to abandoned property calls. The City Attorney's Office is working on a plan that would track properties before they become neglected and work with the lender to maintain them. The Council regularly receives complaints from the public about abandoned homes in their neighborhoods.

The foreclosure crisis has had a ripple throughout our local economy. Some examples:

BMC-West cited the housing slump as a reason for closing its Merced store after 21 years in business. It employed 25 people. 84 Lumber closed its store earlier this year citing the same problem.

Unemployment in Merced is double the national average at 11 percent. In March it peaked at 13.6 percent. Unemployed construction workers, along with title company employees and others in the housing field helped that number balloon.

### **MERCED TESTIMONY-3**

The development Merced Paseo LLC took out a \$9 million loan from County Bank in 2007. The developer now estimates the project has lost 90 percent of its value. County Bank, which has said the foreclose crisis has affected its business, laid off 20 employees Wednesday. (Sept. 3.) It posted a fourth quarter in 2007 loss of \$14.2 million.

We had to call the surety bonds on two developments in order to get the necessary infrastructure improvements completed. In one case, the developer buried an existing bike path in the early phase of construction before going out of business.

There is one bright side to the foreclosure crisis. Currently 48.6 percent of the homes sold in the City are affordable to families with the median family income of \$47,400. Three years ago that figure was 2.5 percent of the homes for sale.

The median price of a home in 2006 was \$376,000. It is now \$155,500. But that also means the property values of most Merced residents have also dropped.

The new federal housing laws cannot address all of our problems, but will help bring more affordable housing to Merced. The new laws will bring added stability to the mortgage market and help out community climb out of the financial hole they are in and try to reclaim the American Dream of truly owning a home, and not seeing it repossessed by the bank.